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Bi-monthly Lucky Draw!

If you renew your subscription (or, as an ex-subscriber, you re-subscribe to StockAnalysis), you stand in line to win a case of premium wine by the award-winning Swings & Roundabouts Wine Estate in Margaret River.

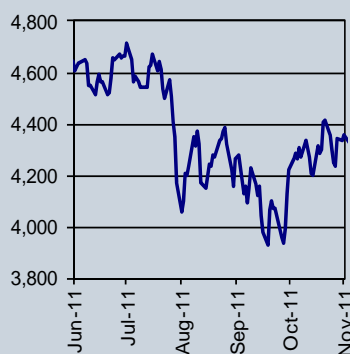
For July 2011, we would like to congratulate our lucky winner G. Cotton of SA. A case of mixed wines is on the way ... enjoy!

Indices & Prices

All Ordinaries	4,356.70
Energy Index	13,979.70
Brent AU\$/bbl	109.89
AUS\$/US\$	1.0400

As at Close Nov 8th, 2011

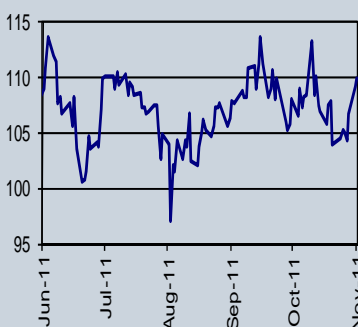
All Ordinaries



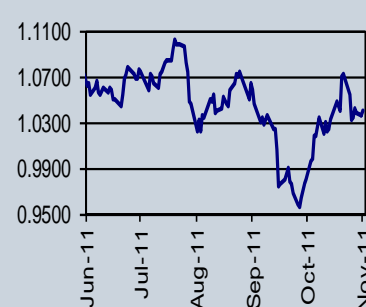
S&P ASX 200 Energy Index



Brent Crude Oil \$A/barrel



A\$/US\$



In this Issue

- M&A:** Beach expands into Adelaide
- Castlemaine:** Its a difficult game
- Nexus:** Time for a change
- AWE:** Building after 2 year, 70% fall
- Woodside:** Market waiting on Shell's move
- Italy next:** Bye Bye Bunga Bunga
- Rum Jungle:** Rock Phosphorus & Potash explorer
- Soapbox:** Christmas gift idea

Market Moves

Beach Energy (BPT) has moved on **Adelaide Energy (ADE)**, with an on-market offering of 20 cents per share in cold hard cash. Adelaide has never traded above its issue price of 20 cents and Beach already owns 19.9% so it looks like a done-deal to StockAnalysis. Despite Adelaide's protestation about the relative value of Beach's offer, shareholders are selling out in droves. Recent issues of StockAnalysis hinted at underlying value to Beach.

6th of July '11 @ 12 cents

Adelaide Energy is hanging on to Beach's coattails but the ride could get fast and furious, requiring it to maintain a tight grip.

Sept '11 @ 13 cents

Cash flow from 100% owned Otway Basin gas/cond field at Katnook covers corporate costs. Positive Cooper shale test with Beach. Accumulate

Castlemaine Goldfields (CGT), which was recommended as a speculative buy at the equivalent of 48 cps in February, has plunged to 12 cents following slower than anticipated commissioning of its Ballarat gold project. The company, which had traded at over 60 cents per share, is developing towards two target gold zones and was trying to access some higher grade mineralisation along the way to pay the bills, but this has not worked out. StockAnalysis and the market clearly think that the company will need to raise additional equity to ensure that the project can continue. Ballarat has proven to be a grave yard for gold mining hopefuls and CGT looks perilously like following in that path. The problem for the company is that despite its large Resource position, given the geology of the region it will be difficult to identify more than 150,000 ounces of gold in Reserves at any point in time, so it will always have a three year time horizon, with much of the company's prospective operating cash flow surplus being directed towards exploration and development. After paying wages and costs, this business model leaves little spare cash for shareholders.

(Continued on page 2)

The game is not over for Castlemaine, but there are other gold producers and high impact exploration opportunities available which offer greater certainty in exposure to gold at over A\$1,700/oz and more leverage to exploration success.

Long suffering shareholders of **Nexus Energy**, whose business model was like so many others, crippled in the vice-like grip of fear that surrounded the GFC during 2008/9, is facing a call for Board renewal after multiple failures to progress its Crux condensate project. The company's Board now appears to have been at least part of the problem, leading former MD Richard Cottee to call for a spill so that he can repopulate the Board with himself and chosen appointees. This move is getting support from many of the company's top 20 shareholders and **StockAnalysis will also be supporting a move to reinstate Mr Cottee**. There are only so many times that a Board can blame its Chief Executive for failure to achieve goals.

There is no doubt that Nexus had become top heavy in the lead up to the GFC. A large corporate office, big salaries, lots of front of the jumbo and plenty of debt with zero operating cash flow was never a good look for what was essentially a deal making outfit and a project developer. To be fair, in the early days Nexus was a superb wheeler and dealer, adding huge shareholder wealth as it bought low and sold out at higher prices on Crux, while taking a big risk at Longtom to prove Apache wrong, which is a rare event and drilling some spectacular discovery/appraisal wells at Crux.

AWE has broken a brutal 2-year downtrend which saw its share price fall by 70% and it now looks set to try to move towards \$1.45 and then \$1.90.

The company has upcoming drilling in Indonesia on a large gas play, targeting its hungry domestic market. Much anticipated tight and shale gas plays in the Perth Basin should get a run, provided more environmental hurdles are not thrown in its way. Firming up plans for the Origin operated BassGas mid-life redevelopment and associated appraisal and exploration drilling, will focus attention on AWE's strong position in the east coast gas market, where prices for contracted sales beyond 2015 have risen 50% and are likely to lift further. Beach's move on Adelaide could signal the sort of re-rating for the sector about which StockAnalysis has spoken.

Woodside has broken a 6 month price fall as the 12 month period under which Shell was restricted from selling its remaining stake has ended.

Commissioning of Pluto in early 2012 should see past misdemeanours forgiven, especially as the company embarks on some more high impact drilling.

Italy has called in the IMF to check its 'books'. Meanwhile, in response to the shame most Italians feel about having such a clown as their leader, Mr Bunga Bunga himself has finally agreed to step down from power. I would be amazed and astounded if the IMF finds that Italy has been a tower of fiscal rectitude and that all is well in the land of Bunga Bunga! Slowly, I expect Italy to join the collapsing Euro zone crisis. This will be a big deal. Italy has a similar sized population and economy to that of England.

Australia will continue to find some protection from this brewing storm as its currency adjusts downward and trade with China provides a degree of protection for the local economy.

Nexus is a speculative buy for the brave!

AWE is a Buy

Woodside remains a Buy



Rum Jungle Resources

Code	RUM
Shares	164.3
Options	32.1 Av39.2 cts
Price	\$0.23
Market Cap	\$37.0
Cash (est)	\$ 5.5 m.

Major Shareholders

Directors	9.0%
Westgold	9.7%
J.P. Morgan	4.4%
Merrill Lynch Noms	4.3%

Directors

John Roberts	Chairman
David Muller	Managing Director
Rob Annells	Non-Exec Director

Recommendation: *Rum Jungle is a speculative buy ahead of ongoing drilling results from its rock phosphate projects at Barrow Creek and surrounding prospects and its Karinga Creek potash project, both in the Northern Territory. Upside exists for funding and off-take partner selection in the medium term.*

⇒ Soils that contain adequate quantities of phosphate and potassium are required for successful crop growth. Both elements have become increasingly scarce commodities. As population expands beyond 7 billion, increasing amounts of fertiliser will be required, keeping phosphate prices on an upward trajectory.

⇒ Rum Jungle is in the Australian vanguard, along with BHP Billiton and Minemakers, for discovery and development of key fertiliser raw material inputs, rock phosphate and potash.

⇒ The company's shallow, low cost free digging phosphate mineralisation shows excellent logistics, having easy access to major markets via road and rail to the Port of Darwin.

⇒ Rum Jungle's Barrow Creek rock phosphate deposit contains zones of high-grade material suitable for direct shipping, while lower grade mineralisation shows an ability to upgrade via simple crushing and screening to produce a product grading ~28% P₂O₅.

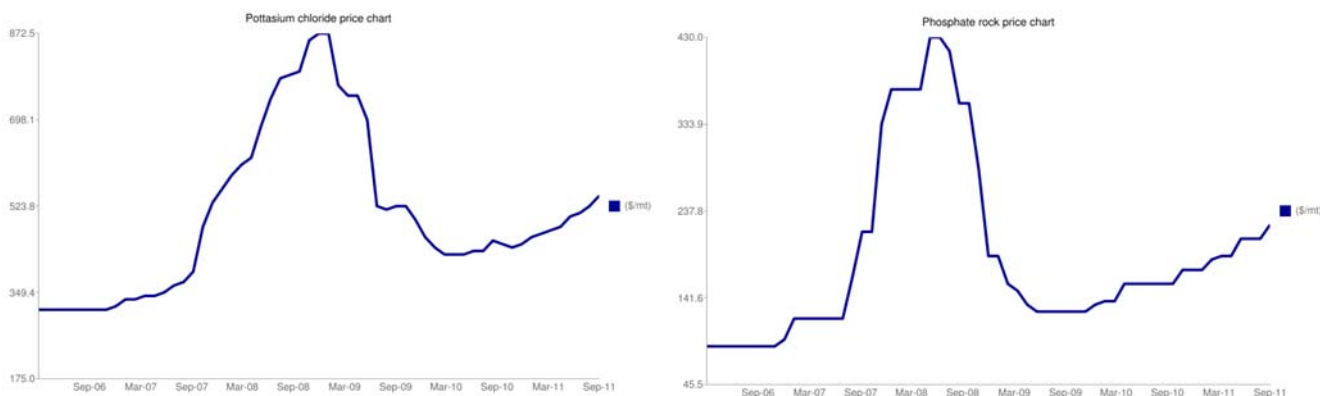
⇒ The Port of Darwin holds a significant freight advantage for Asian customers, compared with product shipped from the Mediterranean region.

⇒ RUM's Barrow Creek phosphate holds low levels of deleterious elements.

⇒ Test work on brines from the Karinga Creek potash project shows promise for development of a solar potash production project, while drilling has located brines in fractured siltstone, implying large volumes of potassium rich brine.

The price of rock phosphate has recovered from GFC induced lows and is now on a rising trend, currently trading at around \$200 per tonne for high grade material. Establishment of a ~\$200 million project to deliver 2 million tonnes pa of DSO rock phosphate from Barrow Creek, would deliver operating earnings of over \$60 million pa to Rum Jungle at current prices. A twenty year project would deliver an NPV approaching \$300 million, which compares favourably to the company's market capitalisation of \$37 million.

5 Year Rock Phosphate/Potash price trends (\$ U.S. per tonne)



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StockAnalysis believes that recovering global demand for fertilisers on the back of population growth and economic recovery will push the price of rock phosphate higher over coming years. Market growth rates indicate the need for over 5 mt of new rock phosphate supply each year, so proposed output of 2 mt pa from Barrow Creek would accommodate only about 5 months of global demand expansion.

Ongoing drilling and Resource expansion, along with negotiations to introduce an off-take partner to fund development, should ensure expanding shareholder value over time.

Rum Jungle is focused on developing a high-grade phosphate resource at its Barrow Creek 1 deposit, situated north of Alice Springs and approximately 80 kilometres east of the Central Australian Railway ("C.A.R") that extends to Adelaide in the south and to the Port of Darwin in the north.

The company is also expanding its interest in potassium rich brines contained within a playa lake salt system at the Karinga Creek Project, extending 150 kilometres from the eastern extremity of Lake Amadeus on its western perimeter to the C.A.R. on its eastern boundary.

Brine sampling along with laboratory test work indicates that economic quantities of potassium salts can be recovered from the brines. Ongoing drilling and costean construction aims to determine the size of the brine resource within the salt lake system. The size of the resource could be extensive with permeability of the host aquifer being related to the amount of fracturing within the host siltstone.

Barrow Creek Phosphate Project 100%

The Barrow Creek deposit sits about 80 kilometres east of the C.A.R. Drilling and sampling indicates a Resource of over **51 mt grading 18% P₂O₅**. Ongoing drilling is likely to significantly expand this Resource but importantly, should also be capable of outlining an extensive high grade zone, suitable for production of direct shipping ore (DSO) for sale to fertiliser manufacturers in Asia.

Barrow Creek Resource

Resource Cut off	mt	P ₂ O ₅ %	Al ₂ O ₃ %	CaO %	Fe ₂ O ₃ %	K ₂ O %	MgO %	MnO %	SiO ₂ %	TiO ₂ %	U ₃ O ₈ ppm
10% P₂O₅	88	16	7.2	22	3.3	1.0	0.72	0.14	0.19	0.39	23
15% P₂O₅	51	18	6.7	25	3.1	1.0	0.67	0.14	0.19	0.36	24

Source: Rum Jungle

Location of Ammaroo & Barrow Creek Projects



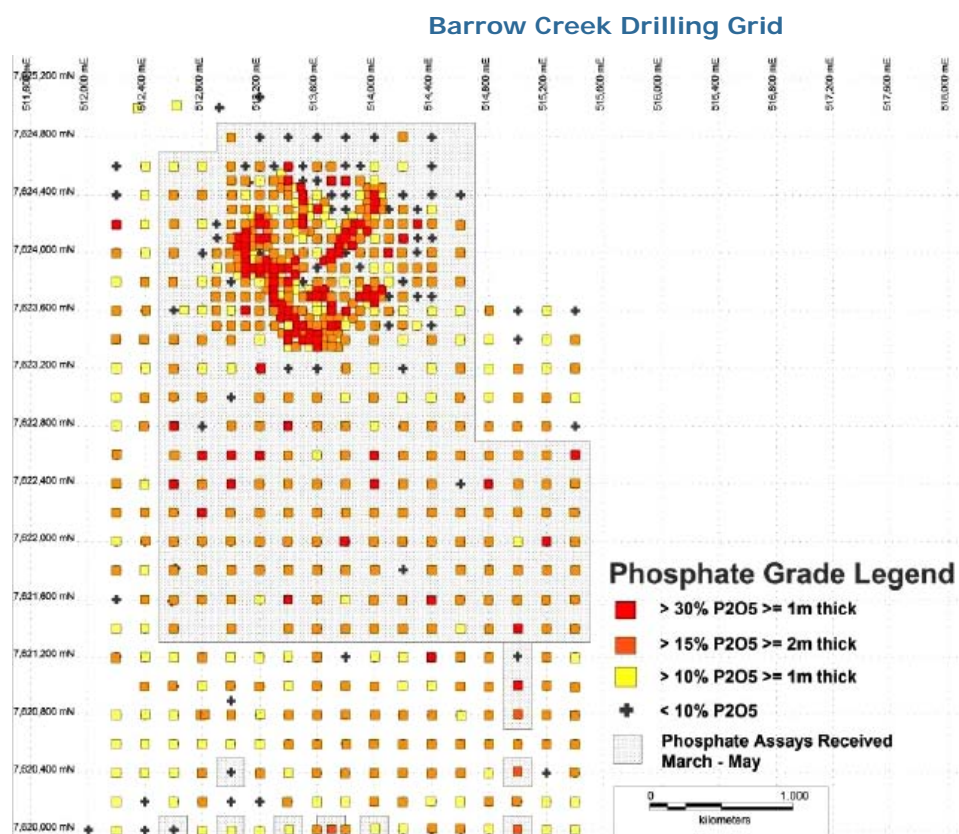
Source: Rum Jungle

Phosphate mineralisation sits between 3 and 20 metres below the surface. Early mining will have a low waste to ore ratio. Mining will be largely free digging, using commercial scrapers to selectively mine extensive horizontal layers of high grade rock phosphate. The company believes that a high grade fraction is capable of selective mining to produce a +28% DSO product for sale at relatively low capital and operating costs. The company further estimates that a laser-guided downward-cutting continuous-surface-excavating machine could mine between 300 and 600 tonnes per hour at very competitive costs, without the need to drill and blast. This type of operation could set up an annual output of 2 million tonnes of DSO product.

Crushing and screening tests on a sample grading 21% P₂O₅ indicates that 70% of the P₂O₅ is contained in the over 13.2 mm fraction, resulting in an upgrade to 28%. Further refinement of this process, which may involve secondary crushing, followed by screening off the largest fraction of hard but barren chert, could produce acceptable grades of DSO product for sale.

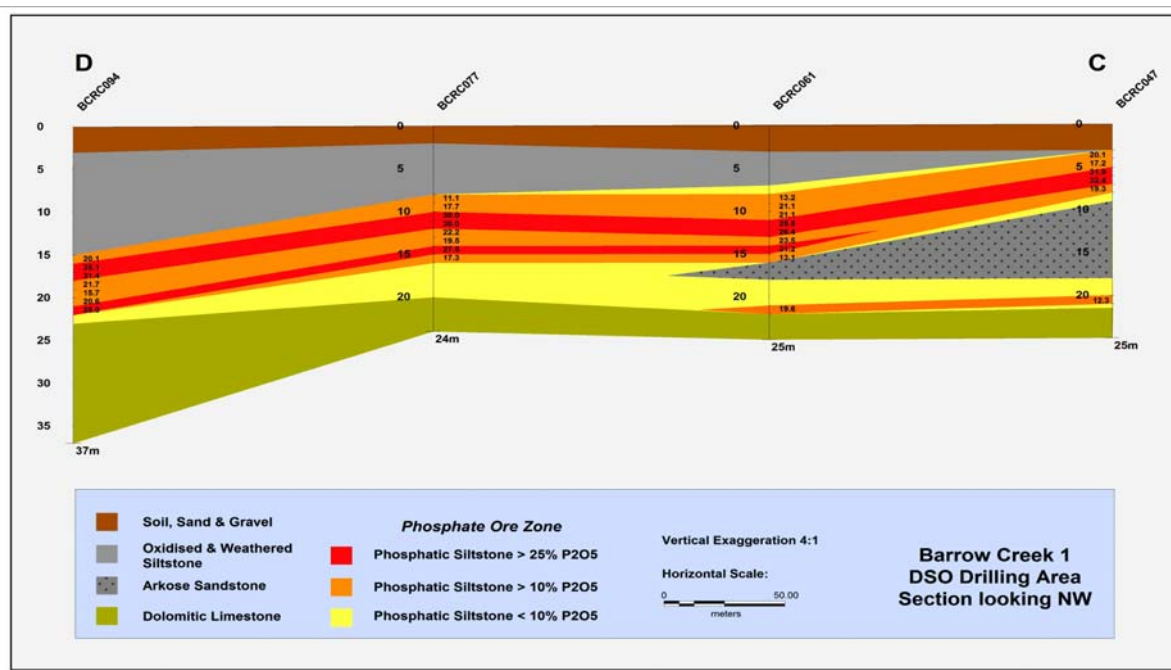
On average, the ore body appears to be about 6.5 metre thick, which average overburden depth of 14 metres, but ranging from 2 metres to 43 metres. Recent drilling has produced the following intercepts:

- 8 metres @ 30.8% P₂O₅ from 15 metres
- 10 metres @ 24.4% P₂O₅ from 12 metres inc. 4 metres @ 33.4%
- 6 metres @ 27.38% P₂O₅ from 5 metres inc. 1 metre @ 32.3% and 1 m @ 30.7%
- 9 metres @ 26.56% P₂O₅ from 8 metres inc. 1 metre @ 31.1% P₂O₅
- 9 metres @ 26.4% P₂O₅ from 21 metres inc. 3 metres @ 34.5% and 1 metre @ 30.1%
- 9 metres @ 23.9% P₂O₅ from 9 metres inc. 1 metre @ 35.8
- 9 metres @ 23.0% P₂O₅ from 7 metres inc. 1 metre @ 31.1%
- 6 metres @ 23.9% P₂O₅ from 3 metres
- 7 metres @ 23.8% P₂O₅ from 6 metres inc. 1 metre @ 32.6%
- 9 metres @ 22.2% P₂O₅ from 9 metres inc. 1 metre @ 32.3%
- 9 metres @ 20.11% P₂O₅ from 5 metres inc. 1 metre @ 32.4%
- 14 metres @ 18.32% P₂O₅ from 13 metres



The section below illustrates shallow high grade material at around 3 metres in the northeast of the deposit, dipping down to about 15 metres in the southwest.

Barrow Creek, NE-SW Section



Source: Rum Jungle

Ongoing drilling at Barrow Creek reveals potential to add high grade zones in the northwest and west as well as the south east of the target zone.

Exploration to date at the Ammaroo Phosphate Deposit, 80 kilometres east of Barrow Creek 1, indicates the presence of a large deposit with thicker intercepts at greater depth than Barrow Creek. The company estimates a target for several hundred million tonnes of mineralisation at this project. However Barrow Creek's more favourable location with respect to rail access along with its higher resource grade and shallower mineralisation places Ammaroo on the backburner while the company focuses on the more immediate prospect of developing cash flow from Barrow Creek.

In all likelihood, the thicker mineralised zone at Ammaroo could result in an equally low, overall waste to ore ratio.

Karinga Creek Potash 50% & earning in

This project is located on a chain of dozens of playa lakes west of the Stuart Highway, extending halfway to WA border, 200 to 300 kilometres south of Alice Springs. The joint venture is investigating the potassium (K) and magnesium (Mg) rich brine resources in several playa lakes for their potential as a feedstock for production of two fertilizer salts, potassium sulphate (SOP) and potassium magnesium sulphate (schoenite), which are currently entirely imported into Australia.

Since 2009, the joint venture has taken over 150 brine samples from subsurface locations on these playas, conducted recharge tests from four trenches, drilled eight vibracore and 55 sonic drill holes and installed 12 piezometers. In addition, two anthropological surveys, two archaeological surveys and a baseline environmental flora and fauna study have been conducted confirming Karinga Creek as one of the most advanced salt lake potash projects in Australia.

The company plans further drill-core logging, sample processing and laboratory testing of brines and sediments during the December quarter leading to maiden Inferred Resource estimate, which is expected to be announced in the first quarter of 2012.

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Preliminary metallurgical tests based on a solar system of differential crystallisation of salts, indicates potential for commercial production of potassium product via a number of evaporation ponds where brine solution would be pumped and allowed to evaporate, producing various salts that could be mechanically harvested and brought to market via the rail link to either Adelaide or Darwin.

The company has found that fractured siltstones in the base of the lakes may hold a larger resource of brine. Exploration is focused on geochemistry, size, structure and recharge potential of this basement aquifer. Rum Jungle aims to prove-up a brine resource from within the lake bed sediments and will allow inclusion of a potentially larger brine resource of yet uncertain depth in the basement siltstone aquifer under the lakes.

Valuation

Companies operating in the Georgina Basin such as Minemakers (ASX: MAK), can be viewed as peers for valuation purposes as both projects appear viable and are likely to proceed. Minemakers, which owns the substantial Wonarah phosphate project as well as a project offshore Namibia, has a market capitalisation of \$79 million compared with Rum Jungle's \$37 million of market capitalisation, but the Wonarah deposit is 270 kilometres from the rail corridor, presenting higher trucking costs at start-up than for Barrow Creek, which is 80 kilometres from rail. Additionally, Minemakers' high grade rock phosphate is deeper than at Barrow Creek and more expensive mining methods will apply.

Early modelling by Rum Jungle and StockAnalysis, indicates a project that could deliver an EBIT of ~\$90 million pa and net profit of \$45-\$50 million pa, with an NPV of at least \$150 million and up to \$250 million for a 20 year project life. Normal market multiples of 6 [x] EBIT and 10 [x] NPAT point to a target enterprise value of \$540 million or a market capitalisation of \$400 million for an operating project after adding \$160 million of debt. Discounting this market capitalisation by 10% over an assumed 4 year project development horizon delivers a target value of 61 cents per share for Rum Jungle.

Financing, what could be a \$180-200 million upfront capital cost to establish a 2 mt pa project presents a key hurdle, however the company's current market capitalisation of \$37 million shows great leverage to success. At a worst case, funding 30% of capital costs with new equity at the current share price could boost total shares on issue to 446 million, resulting in an NPV per share ranging between 34 and 56 cps.

Rum Jungle could reduce project risk by cutting its project equity via the introduction of a funding and off-take partner, thus reducing its need for additional equity. Under this scenario, Rum Jungle could retain control over its Ammaroo phosphate deposit and other assets, while fast-tracking development at Barrow Creek, opening up opportunities for enhanced financial leverage to success.

The next page shows a SWOT Analysis of Rum Jungle.

(Continued on page 8)

S W O T Analysis

STRENGTHS

Potential for Direct Shipping Ore: Areas within the Barrow Creek deposit show potential for low cost, open pit mining of saleable direct shipping product, which would reduce capital and operating costs associated with production of a phosphate concentrate.

Increasing Rock Phosphate Price: The price of rock phosphate is on a rising trend.

Expanding fertiliser demand: Fertilisers, for which phosphates are a key raw material, are forecast to experience strong, ongoing growth in demand at 2-4% pa, based on an expanding global population and rising consumption of grains.

Location: Rum Jungle's project is located close to potential markets in Asia. The project has transport and political security advantages compared with competing suppliers from North Africa.

Established large resource: A large deposit, containing more than 88 million tonnes of mineralisation grading over 16% P₂O₅ plus expected upgrades resulting from recent drilling, should support mining for many decades.

Infrastructure: The Barrow Creek project is close to rail infrastructure, linking it to ports at either Adelaide or Darwin. Longer term, a spur line to site is possible.

Marketing study underway: Preliminary work covering resource estimation, processing and metallurgy, transport logistics plus environmental and permitting, puts the company in a strong position to approach potential funding and off-take partners, based on sample product in Q1, 2012.

WEAKNESSES

Finance: Rum Jungle will need to finance at least a \$190 million, direct shipping start-up operation during volatile market conditions, which will most likely require a secure off-take agreement.

New market participant: The company will need to secure a niche in a competitive global market.

Development Team: So far, Rum Jungle has been able to progress its project in a low cost way with minimal staff, using consultants. In order to move forward and gain market credibility, the company will need to staff-up.

OPPORTUNITIES

Partnership or sale: The company could look to partner with an existing, fertiliser producer.

Market niche: Expansion plans by integrated fertiliser companies, who also supply rock phosphate, could result in a decline in the availability of rock phosphate for sale to third parties. Existing fertiliser producers are also seeking to expand and will require new sources of feed materials.

Exploration: The Barrow Creek project area is prospective for additional tonnage of commercial grade rock phosphate, offering a +30 year project life and opportunity to expand as the market dictates.

Timing: Interest in potassium and phosphorus minerals by BHP Billiton has raised global interest in this scarce resource.

THREATS

Product Pricing: Pricing for rock phosphate is opaque and the market is dominated by integrated fertiliser producers who have the capacity to act aggressively in the market.

Competition from Brown-fields & other start-ups: A sharp rise in rock phosphate prices during 2008 attracted many potential new producers into the market but few appear to have the favourable grade and logistics associated with Barrow Creek.

Soapbox - Christmas Gift Idea

Many subscribers know of my involvement with The Hunger Project (THP), which I think is best described as a movement to end poverty by educating and empowering people, especially women, to take charge of their lives. THP is not a charity and does not give emergency aid to communities in need but works with the people, at their invitation, to help them structure and arrange their lives so that they need never be hungry.

The organisation is represented and directed in Australia by the likes of Diane Grady, who is on the Boards of Bluescope Steel Ltd and Macquarie Bank, Rick Ball who is a Managing Director and Head of the Investment Banking Division at Morgan Stanley Australia, Bruce Beeren who is a former CEO of VENCORP and a Director of Origin Energy, Roger Massy-Greene, who is Chairman of Eureka Capital Partners and Michael Rennie, who is the Managing Partner of McKinsey & Company in Australia and New Zealand and founder of McKinsey & Company's global organisation behaviour practice.

These impressive people and many others who are too numerous to list, 'get' THP's business model and understand that if we are all to cohabitate this planet, we have to **do something** to make it happen.

This year at Christmas time, I urge you to think lovingly about all of your friends and family who have absolutely every material comfort that they could reasonably wish to have and then to give them a special gift by donating any amount small or large to The Hunger Project on their behalf. You will get a neat little certificate which you can give to your loved one on Christmas day and they will thank you for this generous gift.

So, Christmas Giving is now available on THP's website, just go the address below and follow the bouncing ball!

http://www.thp.org.au/THP_AU_Site/Christmas_Giving.html

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Since January 2010, Strachan Corporate has undertaken commissioned research or provided corporate advisory services to the following companies, for which it has received a fee. Bulletin Resources, Rum Jungle, Philips River, Jatenergy, TUC Resources, Verus Investments, PMI Gold, Iron Ore Holdings, Grand Gulf, Elk Petroleum, Transerv Energy, Mutiny Gold, Castlemaine Goldfields, European Gas, Norwest Energy, Incremental Oil & Gas, Mako Energy, Oillex, Matsa Resources, Mindax Resources, Gold Road, Dragon Mountain Gold, Iron Road, Aurora Minerals, Avalon Minerals, Emerald Oil & Gas, Tangiers Petroleum, Pharmaust, Texon Petroleum and Quest Petroleum. In addition, over that period Strachan Corporate has delivered lectures at several Universities, provided expert witness statements and confidential financial services and advice to listed companies, several private investment companies and institutions as well as private investors. Disclosure of interests in these confidential actions by Strachan Corporate is only appropriate should Strachan Corporate determine a potential for conflict of interest.

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